

MONTANA BOARD OF HORSE RACING
BOARD MEETING

October 6, 2011

8:30 A.M.

Montana Lottery Building
Helena, MT

APPROVED MINUTES

ATTENDANCE:

Al Carruthers	Chairman	Mike Tatsey	Vice Chairman
Susan Egbert	Board Member	Cody Drew	Board Member
Shawn Realbird	Board Member	Sue Austin	Board Member
Topper Tracy	Board Member		
Ryan Sherman	Executive Secretary	Sherry Meador	Legal Counsel

PUBLIC IN ATTENDANCE: Bill Nooney, Steve Earle, Dale Mahlum, Toni Hinton, Jim Johnson, Kelly Manzer, Tom Tucker, Larry Jordan , Debbie Cunningham, Janice Schoepf, Ben Carlson, Tom Williams, George Harris, Christian McKay, Viv Hammill, Memory McCracken, Don Richards, Mike Smith, Lynn Carruthers

CALLED TO ORDER: Chairman Carruthers called the meeting to order at 8:35 am

APPROVAL OF PREVIOUS MINUTES: Member Egbert requested the minutes reflect Member Realbird was a part of the strategic planning subcommittee. Member Egbert stated concern as to the authorization of hiring a facilitator and sending out a survey without Board approval. Sherry Meador stated that the Board authorized a subcommittee to set up the strategic planning session and the facilitator and survey were part of the session. Member Egbert stated that there should have been better communication to the Board as to the subcommittee's activities. Member Egbert requested that the minutes reflect that a facilitator would be hired. Minutes were tabled until next meeting.

Member Austin requested the April executive session minutes be approved. It was questioned as to whether minutes were previously approved. Member Egbert moved to re-approve the minutes. Member Austin seconded the motion. Motion passed. Member Realbird abstained.

NEW BUSINESS:

Chairman Carruthers stated he wanted to make remarks to the Board. Chairman Carruthers stated strategic planning was fine, promotion was fine, but the bottom line was money – we're not getting enough of it. He requested discussion from the Board as to ways to get money, nothing else matters without money. Member Tracy stated that there may not be a lot of money now, but 5 years, the Board of Horse Racing was done and the work since that time has put the Board in a position to bring money in with simulcast, ADW, FS, and we're a lot better off than we were a number of years ago. It's slow but it's progress. Member Tatsey requested that the Board discuss these issues during the strategic planning session. Chairman Carruthers insisted the other board members have their say too. Members Cody and Austin stated they would wait until strategic planning session. Member Realbird reiterated the importance of strategic planning

to have a tool to know where we stand and possible partnerships. Chairman Carruthers emphasized the need to make decisions now. Need to get counties to want to run horse racing.

- A. Fantasy Sports Presentation: Angela Wong, Director of Lottery, introduced members of the staff. Ms. Wong reviewed current games, how games are marketed, and how to play the game. 74% goes to prize pools. Of the 26% remaining, the Board gets 61%, Lottery gets 23%, and the retailers get 15%. It was asked when payments were made to the Board. George Harris stated payments were made to DOL at the end of the fiscal year. It was clarified that payments were made to DOL for the benefit of BHR monthly.

Jo Berg, marketing officer, reviewed marketing plan for FS and expenditures. Janice Schoepf asked if Lottery sponsors races. Jo Berg stated Lottery sponsored race in Billings. There was some confusion as to why races in Kalispell weren't sponsored, but Lottery hopes to do so in the future. Lottery would like to attend Bucking Horse Sale as well. Don Richards assured Lottery that they would be invited.

Member Tatsey asked if more money was needed to advertise more. Jo stated the big multimedia advertising push in 2009 did not improve sales. Lottery has spent over \$600,000 in advertising from FY2008 to first quarter of FY2012. Lottery spends approximately ¼ of its marketing budget on FS. Member Tatsey suggested the TV spots be directed to a more mature audience. "The current ad has no life." Jo said that their ad agency focuses on the target audience that does the most fantasy sports.

Federal law provides that FS cannot be conducted over the Internet. State law limits FS to gaming establishments only – no convenience stores/ grocery stores. Lottery makes most of its sales at those other places. Member Tatsey said the Board needs to do something to increase sales even if it means putting its share back in to it.

Ms. Wong stated that she would like to offer the Board the opportunity to bring any suggestions they may have to Lottery to improve the games.

- B. George Harris, Dept. of Livestock, handed out graph of Board's financial history. End of FY2011, Board was in a \$29,000 cash deficit that was covered by DOA/general fund. Board is currently at a \$270,704 cash deficit that the DOL is covering. DOL is not in a position to continue covering the cash deficit because of its own financial problems.

Deficit covers expenses from 7/1/11 to 10/1/11 (1/4 of FY) where traditionally simulcast income is lowest and live racing expenses is highest. In addition, one time new simulcast site expenses were incurred and the Belgrade simulcast site owes the Board \$43,000. Ryan Sherman stated letters were sent to all sites stating they need to pay debts. All sites are current except for Belgrade. Belgrade has been given leeway because of owner's health issues. Mr. Sherman stated that the deficit is in fact \$92,000 less from the simulcast sites. Mr. Sherman projects that the Board should be cash neutral by January 1, 2012. Member Tatsey stated that the Board should award only those dates that can be funded by the projected funds through 9/12– no loans.

Mr. Harris emphasized a concern for a bad audit since Belgrade is 90 days past due. Member Tatsey moved the Board give Belgrade to October 15th to pay in full or equipment will be moved. Member Drew seconded the motion. Motion passed.

Member Egbert asked about reporting of simulcast income. Mr. Sherman stated he would re-send web site and password for Board members to review simulcast income.

Member Tatsey requested the Board establish a budget, know what the income projections are, and conservatively stick to the budget when awarding 2012 dates. Bill Nooney requested details on simulcast income, ADW, and FS, and line item expenses. Mr. Harris said it would be available to the Board at any time. Member Egbert requested a monthly report.

Steve Earle asked what the budget would be like if Missoula and Great Falls had raced in 2011. Chairman Carruthers stated Missoula would have made money. Mr. Harris stated more racing would incur more costs. Chairman Carruthers emphasized that Missoula made money in the past. Bill Nooney stated racing did well in Missoula even when income was not fairly apportioned to racing. Mr. Earle was still concerned that the Board stated it would “save” the money for them in 2012. The Board was not in a position to “save” money, but by rule, a track can sit out one year and maintain its right to the purse percentage based on its previous year’s handle. Accordingly, Missoula has maintained its percentage for 2012.

Member Tatsey moved that the Board establish a budget committee to meet prior to October 15th, review all DOL accounting, and bring a preliminary budget to Board to approve for racing in 2012. Member Egbert seconded the motion. Motion passed. Members Egbert, Tatsey, and Realbird were appointed to the budget committee. Member Tatsey is chair. Committee will meet Thursday, October 13th, 4pm in Helena.

C. Simulcast/ADW/Live Racing Update

1. Fund Status -- Ryan gave to Board accounting of simulcast site opening costs, operational costs of MBHR Simulcast Network, and monthly handle of each site with percentages back to MBHR.
2. Live race meet updates:
Kalispell – Janice Schoepf provided the Board a summary of a remaining ending balance of \$12,000 (\$9000 to United Tote) she still owes for 2011 race meet. She stated she had a list of all expenses and revenue but thought it too cumbersome for the Board to review. She stated she was under the impression from the Board’s meeting awarding her the dates that she was to receive a full \$50,000 for operational expenses at Kalispell. She stated she was unaware that part of the \$50,000 was to be used for operational expenses that the Board paid for the Kalispell race meet. Sherry Meador stated that she spent a lot of time working to obtain the general fund loan through DOA, and that she made a point of saying in every discussion about the loan, with Ms. Schoepf and with all board members and staff, that the loan was for Kalispell’s jockey insurance, regulatory expenses (i.e. stewards, state vet), and supplemental purses. The Board was looking at all the money it had available and made its

decision based on what it costs to run races in Kalispell. Member Tatsey said his motion was to get the loan to use the money for purses only so that it would free up the other money Kalispell raised for its operating expenses. Member Egbert reviewed June minutes and which said loan should be for regulatory, insurance and purses only. Member Tatsey said motion to approve Kalispell money was at May conference call and was for Kalispell races based on what she said she needed. Chairman Carruthers stated, in any event, Janice needs \$12,000 to cover costs. Member Tatsey said the Board needs to help Janice figure out how to raise the remaining amount but that it can't be paid out of the Board's current funding. Member Egbert asked how much was paid to Kalispell and Mr. Sherman stated the Board paid \$27,000 to purses and over \$3000 Kalispell owed to United Tote -- \$30,000. Ms. Schoeff said her projections included \$50,000 operating funds from the Board with a \$10K profit which would have gone back to Board. The Board reviewed Kalispell's expenses. Member Tatsey said it would be something they should look at during the budget meeting. Ms. Schoeff offered the detailed expenditure report they had for Kalispell 2011 for use in future projections. She requested Mr. Sherman talk with United Tote about efforts to get them paid. He said he would.

Missoula – Steve Earle stated he was hesitant to go back to his commission and tell them what the Board was capable of doing. He was concerned about poor record keeping and a downward spiral. He was willing to tell commission to look at racing but only if they have a producer and the Board could tell them what they'd get. When asked, Mr. Earle would not set a figure the Commission would pay to have racing. It was noted that there were many individuals that could hold a successful race meet in Missoula but the county was not willing to take any risks. Toni Hinton stated that 18 members of Western Montana Turf Club had 3 hr meeting with representatives of Great Falls about the 2012 race meet.

It was asked when the Board's budget will be available to the tracks. Member Tatsey said he anticipated the Board being able to review and approve the budget within two weeks.

Miles City – Don Richards reported to the Board that Miles City was looking forward to racing in 2012. The room applauded. He stated that without horse racing, the bucking horse sale loses money. He recognized that the Board has covered expenses by the track that has allowed the track to stay alive. They anticipate 3 days of racing in 2012. They want to include the challenge races in 2012 though it involved additional expenses. Mr. Richards has they lost over \$40,000 (not on horse racing but on the whole event) because of rain this year. Member Drew asked if expenses could be reduced by using a local vet. Mr. Richards said no other vets are willing to do it. He pointed out that the Bucking Horse Sale puts up \$21,000 in purses over and above what the simulcast provides in purses.

Yellowstone Downs – Ben Carlson reported they had a good meet. Initial handle was down but ended up averaging \$87,000 per day over eight. Bills are 95% paid. Member Egbert stated that the Board always Billings' meet – very solid. Mr. Carlson

said that he's concluded eight days and 10 races per day is the maximum number of days/races they'd want to run in Billings. Any more would merely be a reduction in average handle -- still reliant on state money to run. It was asked how much Billings received from the state. Mr. Sherman clarified that Billings received \$87,000 for purses. Up to \$110K was allotted to Billings which included the \$87K purses, insurance and regulatory expenses by the Board. Mr. Sherman reviewed the documents he provided that show how much each track got off handle, and percentages.

Steve Earle asked what happened to money Board said they could carry over for next year. Mr. Sherman stated the trust accounts for where they previously held carry-over no longer existed by directive of the legislature. It should be noted that MBHR rules provide that tracks may retain their right to the percentage based on the previous year handle when they take off one year from racing. Accordingly, MBHR preserved the Missoula Track's right to that percentage – not the actual money.

Member Realbird and Chairman Carruthers debated the issue of how board meetings should be conducted.

Kelly Manzer stated to the Board efforts they've taken to reduce state vet expenses. She reported further on efforts in Great Falls to return racing. She stated her biggest opposition has been a single county commissioner and the presumption that racing brings money to city and not county.

Chairman Carruthers called for a ten minute break.

PUBLIC COMMENT: Larry Jordon spoke in appreciation of the Board's efforts. He stated that the budget should help to clarify a lot of issues.

Steve Earle requested that the Board pass around a signup sheet to record who attended the Board meetings. Public attendance records are always kept. However, Mr. Earle was not accidentally not included in a prior set of minutes although minutes were amended to reflect his attendance. Mr. Earle left at noon prior to strategic planning session.

STRATEGIC PLANNING SESSION: Mark Willmarth was introduced. Notes of the session are attached.

ADJOURNMENT: Meeting was adjourned with three Board members present.

The meeting was adjourned at 4:00 p.m.

Signature

Date